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RUEHUJA/AMEMBASSY ABUJA 1987
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RUEHDS/AMEMBASSY ADDIS ABABA 2151
RUEHRL/AMEMBASSY BERLIN 0693
RUEHBY/AMEMBASSY CANBERRA 1428
RUEHDK/AMEMBASSY DAKAR 1786
RUEHKM/AMEMBASSY KAMPALA 2207
RUEHNR/AMEMBASSY NAIROBI 4638
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1293
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

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SIPDIS

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR D.PETERS AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

E.O.12958: N/A

TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [EAGR](#) [EFIN](#) [EMIN](#) [ZI](#)
SUBJECT: ZIM NOTES June 6, 2008

[1](#)1. SUMMARY

Topics of the week:

- U.S. Diplomats, Staff, Detained and Harassed By Police
- Gov Suspends Field Operations of All NGOs
- United Opposition Unlikely
- Public Unenthusiastic About GNU
- Senior MDC Officials Released
- Violence Spurs Internal Displacement
- Youth Movements Consolidate Election Efforts
- Labor Leader Elected To ILO Governing Board
- Local Currency Plunges at Record Rate
- Annual Inflation Breaching Two Million Percent
- Chamber of Mines Reviews Industry Performance
- Air Zim Paying Retention Bonus
- Poor Outlook for Winter Wheat Crop
- More Dismal Corporate Results

[1](#)2. Price Movements-Exchange Rate and Selected products

Parallel rate for cash diverged further at ZW\$1.5 billion:US\$1 from
inter-bank average of Z\$990 million:US\$1

Bank transfer rate jumped to Z\$2 billion:US\$1; official rate:
ZW\$30,000: US\$1

Sugar soared to Z\$1.4 billion/2kg vs. controlled price of Z\$8
million/2kg

Cooking oil jumped to Z\$2 billion/750ml vs. controlled price of
Z\$9.3 million/750ml

Petrol and diesel rose to Z\$1.3 billion/liter vs. controlled price
of Z\$60,000/liter

On the Political/Social Front

[1](#)3. U.S. Diplomats, Staff, Detained and Harassed By Police... On
June 5, five U.S. diplomats and two locally employed staff,
accompanied at times by British diplomats, were detained and
harassed by government security forces, officials, and their
supporters, in violation of the Vienna Convention during a
pre-election assessment trip in Mashonaland Central province.
Despite having followed the usual diplomatic procedures of
notification, two vehicles carrying Mission staff were detained for
more than four hours by police. Mission is closely monitoring the
impact of this incident on the local community and is using public
and private diplomatic tools to refute regime propaganda and condemn
the government's illegal actions.

[1](#)4. Gov Suspends Field Operations Of All NGOs... Following the
suspension last week of CAREQs humanitarian food aid operations

pending investigations of the NGO's Qpolitical activitiesQ (see Harare 475), on June 4, Minister of Public Service, Labor and Social Welfare Nicholas Goche suspended all NGO field operations until further notice, claiming that a number of them were in breach of the terms and conditions of their registration.

15. United Opposition Unlikely... In separate briefings, MDC presidential candidate Morgan Tsvangirai and former independent candidate Simba Makoni discussed violence, the June 27 runoff, and their perspectives on a government of national unity (GNU).

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Significant differences in their views indicate that a united opposition will not be immediately achieved. Both deplored ongoing violence, but Tsvangirai laid the blame fully at the feet of ZANU-PF while Makoni stated that both parties were to blame. Both men called for a GNU to be convened as soon as possible, but v8Q8b1ic Unenthusiastic About GNU... Approximately 100 Zimbabweans crowded into a discussion sponsored by the Mass Public Opinion Institute on the prospects for a GNU on May 29. Nearly everyone in attendance spoke out against the continuing and growing violence and questioned the motivation to discuss a GNU. Several pointed out that Zimbabwe already had a failed GNU - the merger of rival liberation parties ZAPU and ZANU that formed ZANU-PF. Regardless, talk of a GNU continues in the local press with little publicized criticism of the idea.

17. Senior MDC Officials Released... The list of MDC officials fighting legal battles continues to grow. Morgan Tsvangirai was detained on June 3 - allegedly on charges of "drawing a large crowd." Notably, today's The Herald claims he was never arrested. MDC leader Arthur Mutambara was arrested on June 1 in connection with a scathing article he wrote in April criticizing Mugabe's government as Qimbecilic;Q he was released on bail two days later. Newly elected MDC MP Eric Matinenga was released from police custody on June 4 - having spent 5 days in jail - after the magistrate dismissed charges that he paid MDC youths to perpetrate violence against ZANU-PF supporters. Another newly elected MDC MP, Iain Kay, was released on bail on June 4 after spending 8 days in jail.

18. Violence Spurs Internal Displacement... Independent international organizations estimate that as many as 20-30 thousand Zimbabweans have been displaced due to electoral violence since the March 29 elections, with many more likely unreported. Access to areas impacted by the violence remains severely limited by the ruling party's systematic campaign to control voting in rural areas. See Harare 486.

19. Youth Movements Consolidate Election Efforts... Seventeen Zimbabwean youth organizations are joining forces to launch a get-out-the-vote campaign ahead of the June 27 presidential runoff. In addition, they estimate that they have several thousand volunteers prepared to act as election observers or agents and that they will be able to reach even the most remote polling places. They are coordinating their efforts with the MDC to provide nationwide coverage by MDC-friendly observers and agents, in contrast to the uncoordinated efforts during the March 29 election which left some polling places with several observers and others with none. See also Harare 487 on the Zimbabwe Election Support Network's (ZESN) runoff plans.

110. Labor Leader Elected To ILO Governing Board... The Zimbabwe Congress of Trade Unions (ZCTU) 1st Vice-President Lucia Matibenga was elected to serve as one of 56 members of the governing body of the International Labor Organization (ILO) at its ongoing annual conference in Geneva. Meanwhile, Zimbabwe is set to answer charges of contravening ILO Conventions 87 and 98 which deal with freedom of association and collective bargaining rights. Matibenga drew international attention when she was arrested and beaten by police after a peaceful labor rally in 2006.

Economic and Business News

111. Local Currency Plunges at Record Rate... The Zimbabwe dollar is trading at Z\$1.5 billion:US\$1 on the street today, having fallen

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56% in value in the past week and 93% since partial liberalization of the foreign exchange market in early May. While the divergence between the street and inter-bank rates narrowed immediately following the loosening of policy, it has since widened, with the latter exchange rate now about two thirds of the street rate. The local currency is expected to continue to fall in value as long as inflationary expectations remain extremely high.

112. Annual Inflation Breaching Two Million Percent... The swoon in value of the Zimbabwe dollar is propelling prices into the stratosphere. A leading supermarket chain calculated the year-on-year rate of increase in the price of its food-heavy basket at about 1,350,000% in May and the monthly increase at about 470%. Another leading company that uses broader based and income-differentiated baskets put the year-on-year rate in May at between 1,880,000% and 2,680,000% and the month-on-month rate at 334%.

13. Chamber of Mines Reviews Industry Performance... At its AGM on May 30, Jack Murehwa, outgoing President of the Chamber of Mines said that the mining industry was the country's largest foreign currency generator; it contributed about 6% to Zimbabwe's GDP, up from 4.5% in the 1990s despite declining performance since 2000. He applauded both the recent replacement of the gold support price with the international gold price, and the redemption of 35% of forex earnings at an exchange rate that is now closely with government as the causes of the industry's malaise.

14. Air Zim Paying Retention Bonus... A senior Air Zimbabwe aircraft engineer told us on the visa line that the troubled state airline had begun paying senior staff a retention bonus of US\$1,000/month in addition to regular salaries/benefits.

15. Poor Outlook for Winter Wheat Crop... The Financial Gazette reported today figures from the Agriculture Ministry that showed that less than half the area planted to winter wheat in 2007 had been planted this season. A second consecutive poor crop will put immense pressure on the treasury to close the wheat deficit with costly imports.

16. More Dismal Corporate Results...

- Mutare Board & Paper Mill reported poor results thanks to the collapse of local paper demand. The controlled price of newsprint, in particular, weighed down the company's 6-monthly results.

- National Tyre Services Limited reported declining sales, increasing operating costs, and competition from informal and other small businesses that provide cheaper tires. Nevertheless, analysts recommend the counter as an economic recovery play, as the company FQggU.g's debt-free, has a quality brand, and a country-wide service network.

- PG Industries noted a 35% drop in volumes across the board in the past reporting year. The Group manufactures and distributes glass, wood, boards, doors and related building materials and value-added products for the furniture, automotive and building industries. It is shifting its focus to the export market for long-term survival.

- OK Zimbabwe reported revenue down 46% over the past reporting year; the supermarket chain lost 50% of its stock at the onset of price controls one year ago this month.

- Econet Wireless Holdings's turnover was down 35% in the past reporting year on the back of unviable tariffs and the soaring cost of energy, staff, and maintenance. Econet has 60% of Zimbabwe's

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mobile network market.

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